

# **City of Sugar Land FY20 Budget Workshops**

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**GENERAL FUND**

**JENNIFER BROWN, DIRECTOR OF FINANCE**

# Workshop Format

- Review budget information
- Staff is keeping track of questions
  - Answer questions as we go
  - Identify areas for more information and follow up
  - Will provide a summary of answers to all
- Goal: provide information to allow for informed City Council decisions



# General Fund Overview

- **Primary Operating Fund for the City**
  - **Accounts for All Activity that isn't Legally Required to be Accounted for Separately**
  - **Provides Traditional Government Services**
    - **Public Safety: Police, Fire/EMS, Dispatch**
    - **Streets, Drainage, ROW Maintenance**
    - **Parks & Recreation**
    - **Environmental & Neighborhood Services**
  - **Funded Primarily by Property & Sales Taxes**

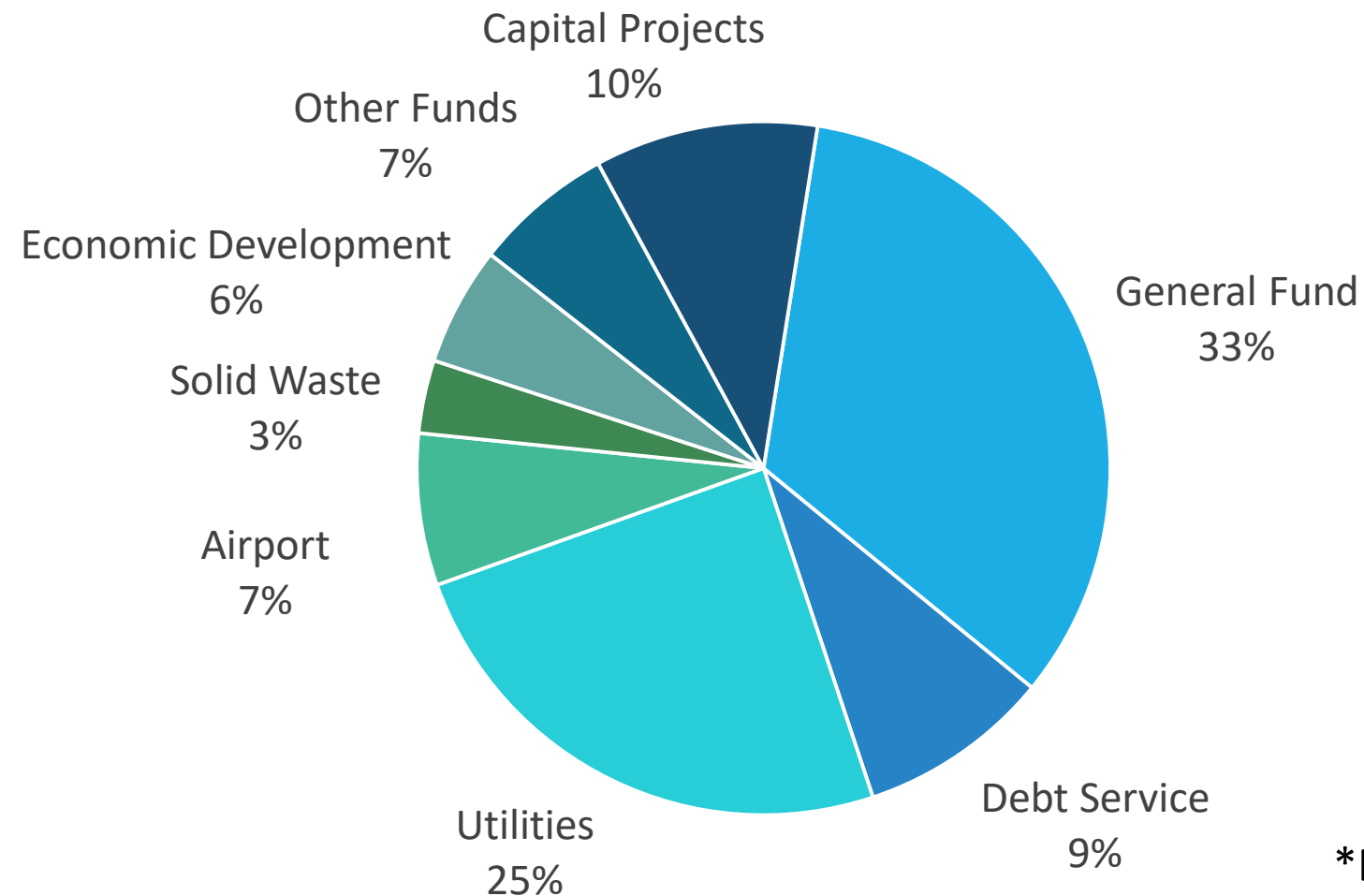


# Financial Management Policy Statement Direction

- FY20 Budget meets FMPS and Council strategic direction
  - Structurally balanced
  - Meets policy requirements
  - Shifts property tax from debt service to operations within rollback rate
  - Increases revenue from user fees in response to legislative impacts
  - Sales tax to fund operating budget < 45% (41%)
  - Sales tax estimates based on FMPS direction
    - FY19 recurring projections with no growth



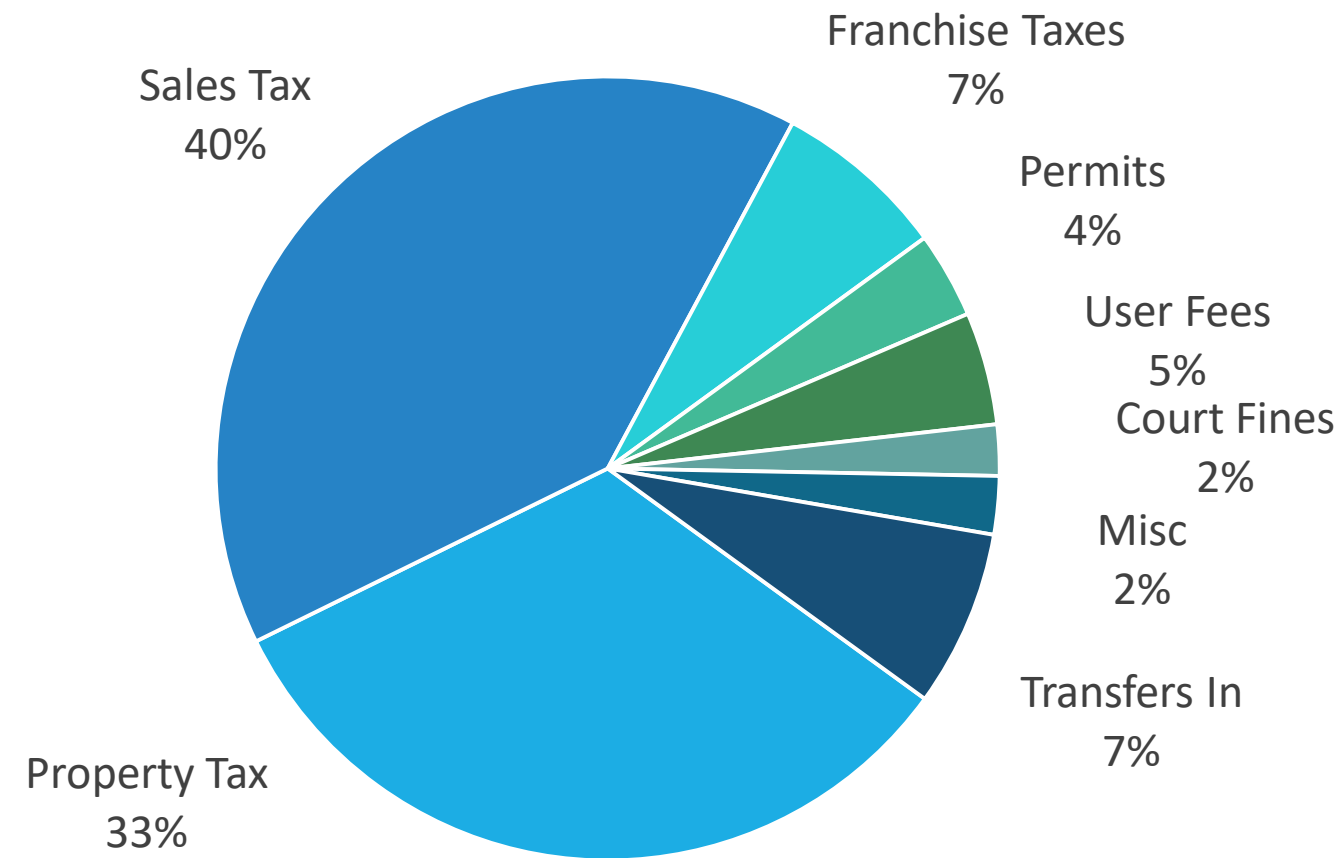
# FY20 Budget Total Revenues \$259.46M\*



\*Excludes Inter Fund Transfers



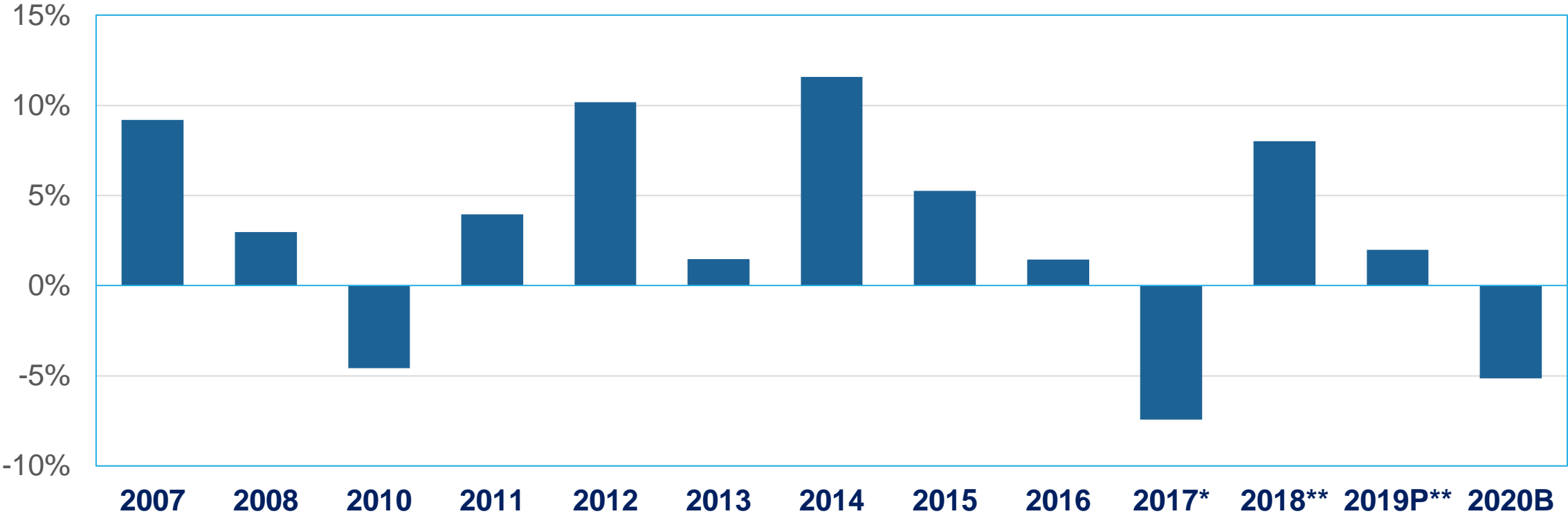
# FY20 Total General Fund Revenues \$94.38M\*



\* Includes Inter Fund Transfers



# Year over Year Growth in Sales Tax



\*FY17 shows anticipated impact of expired incentive agreement

\*\*FY18 & FY19 include one-time revenues



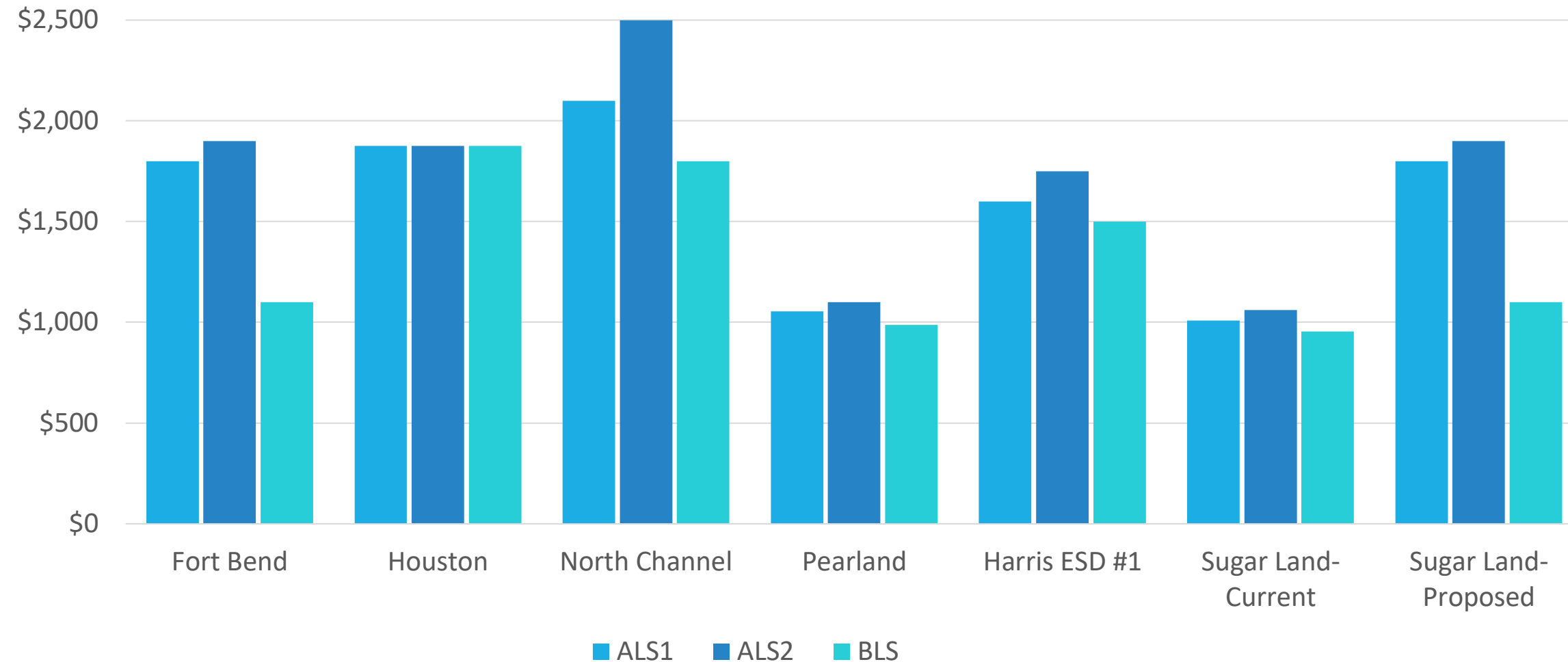
# User Fees

- FY20 Budget includes CPI adjustment of 1.8%
  - Consistent with FMPS direction- April 2019
- Targeted increases in FY20 fees
  - EMS Transport - match FBC current rates
  - Building Permits - 10% for non-value based permits
- Comprehensive User Fee Study to determine further increases
  - Funding in FY20 proposed budget
- Reviewed with Finance/Audit Committee in June & July

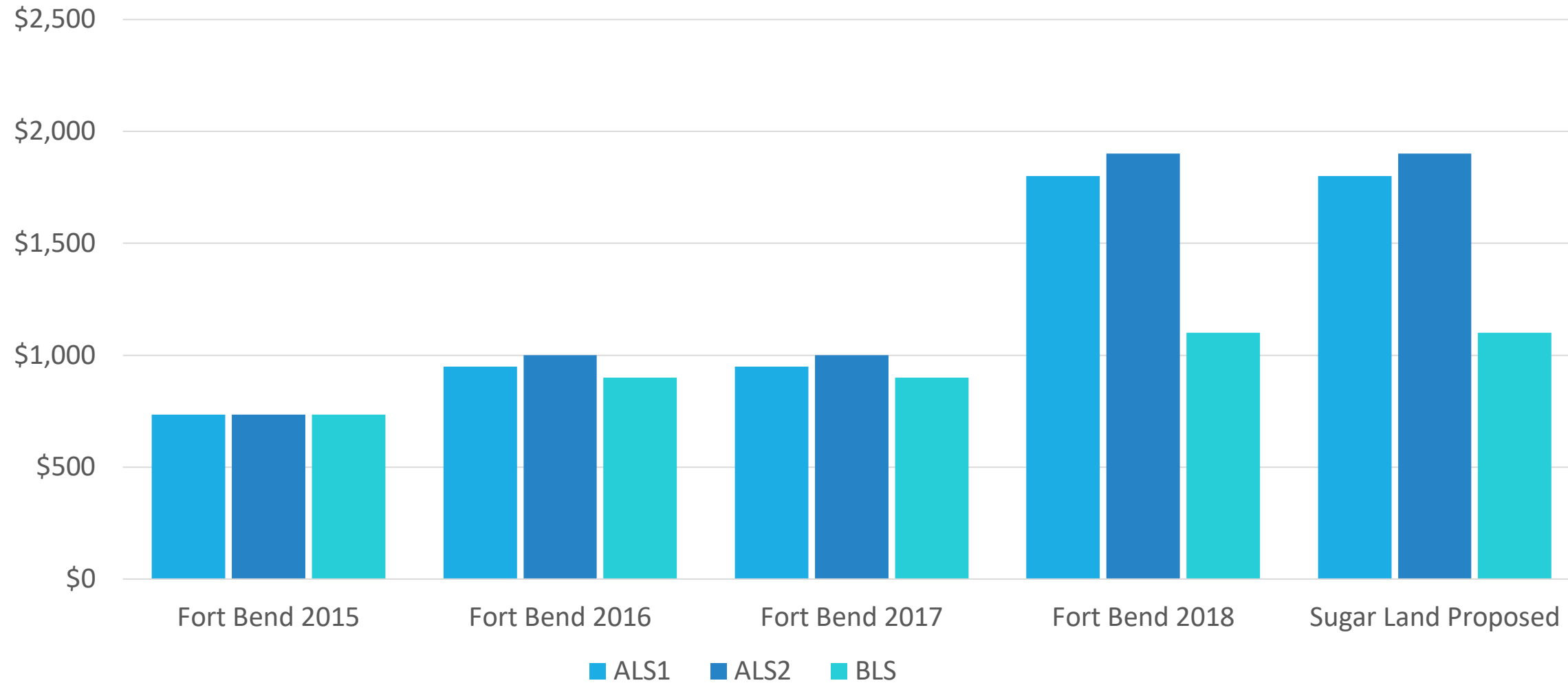




# EMS Transport Fees - Regional



# EMS Transport Fees – Fort Bend Historical

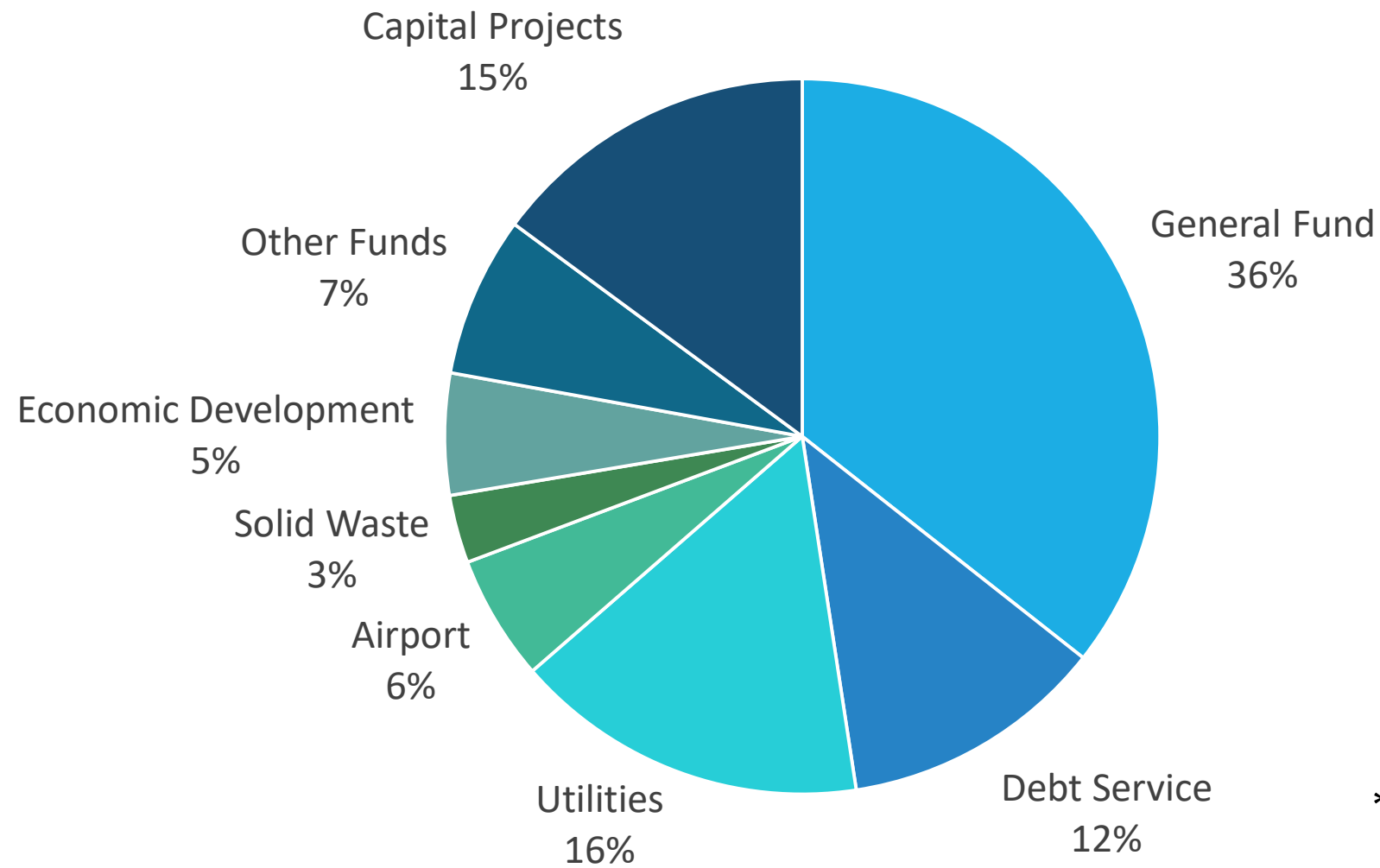


# Other Fees

- Other EMS Fees
  - EMS Lift Assist, BLS Transport DOS
  - Transport per mile, supplies utilized
- Permits & Inspections
  - Non value-based permits
    - Electrical, plumbing & gas, sign, irrigation
    - Pools, roof, foundation, generators, solar, fences
  - Overtime inspections
- ETJ Fire Protection Fees



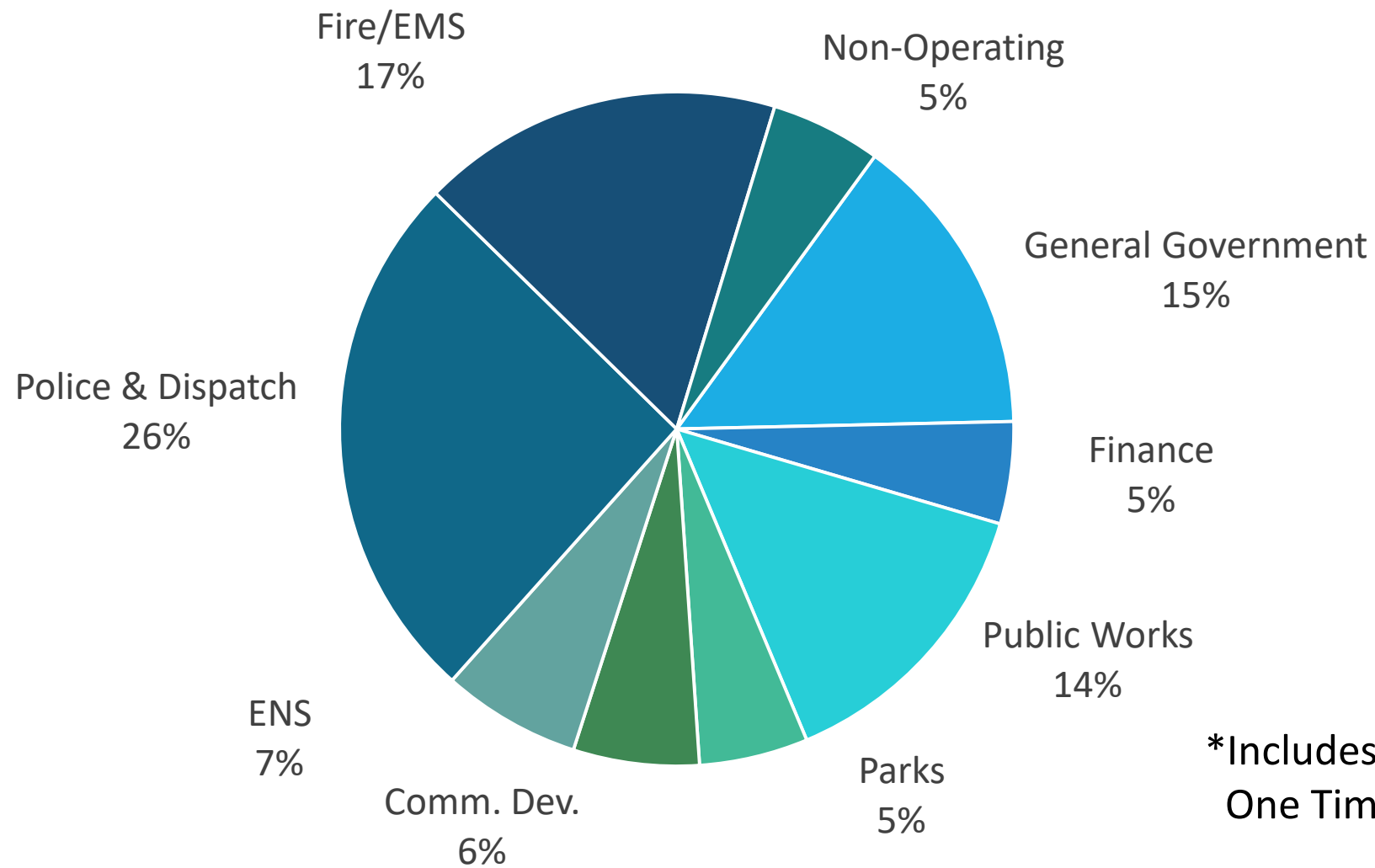
# FY20 Total Expenditures \$272.1M\*



\*Excludes Inter-Fund Transfers



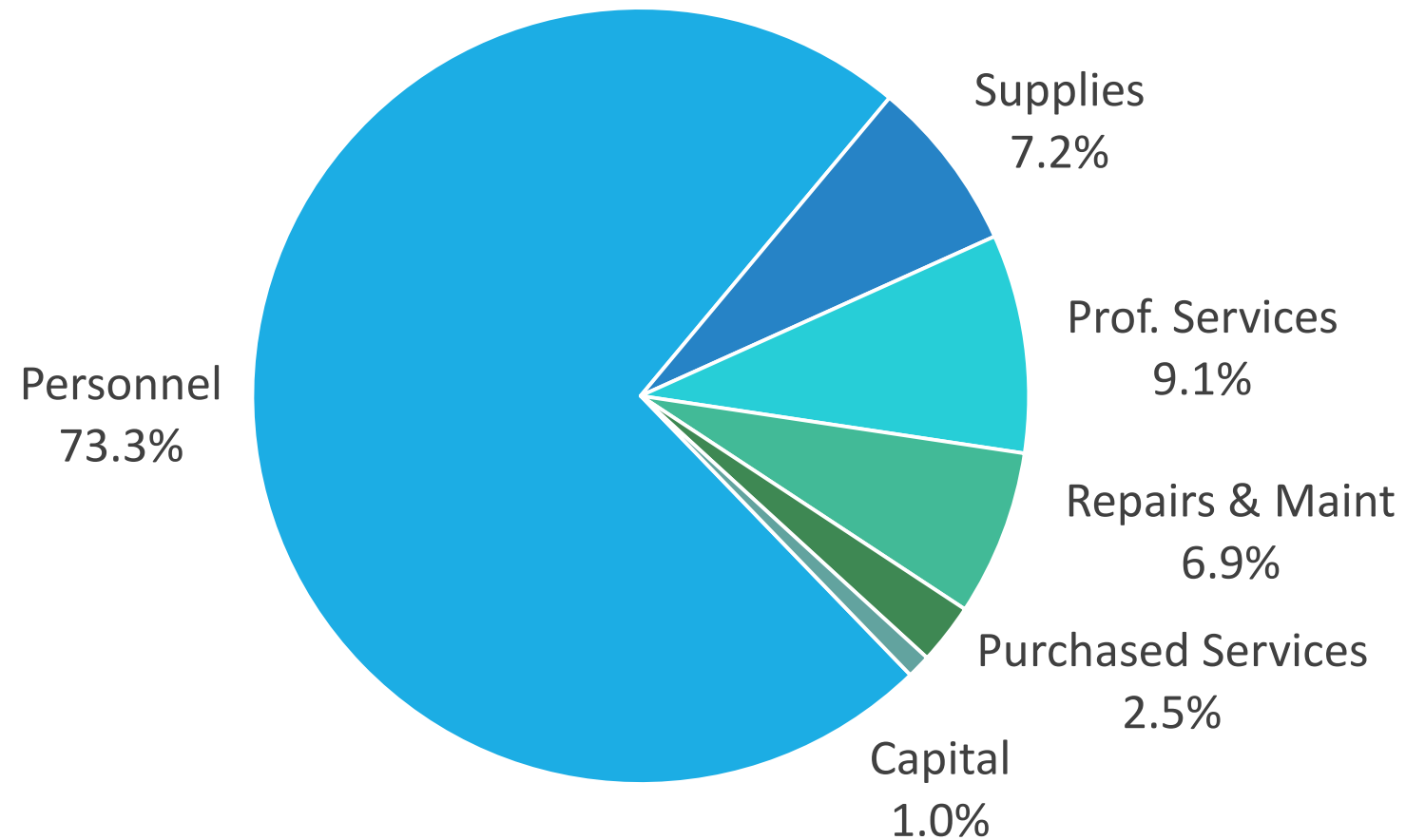
# FY20 General Fund Expenditures \$99.83M\*



\*Includes Transfers Out and One Time Expenditures



# FY20 Operating Expenditures By Category



\*Excludes Inter-Fund Transfers



# General Fund Expenditures

- Base Budget
- Sugar Land Way Priorities
- Five Year Forecast



# FY20 Base Budget: Assumptions

- Growth in operating budget to meet base operating needs
- Base increases are adjustments needed to deliver the same level of service
  - Contractual increases- primarily based on CPI adjustments
  - Utility costs
  - Fleet maintenance
- Implementation of City's Compensation Philosophy
  - Performance based merit pool budgeted at 3%
  - Compensation plan structure moves, no across the board adjustments
  - Benefits cost budgeted at 7% increase to City





# FY20 Base Budget

Budget in \$ Millions	Amount
Beginning Base Budget	\$ 92.246
Base Adjustments	1.314
3% Merit Pool	0.984
FY20 Base Budget	\$ 94.544
Base Budget % Increase	2.5%

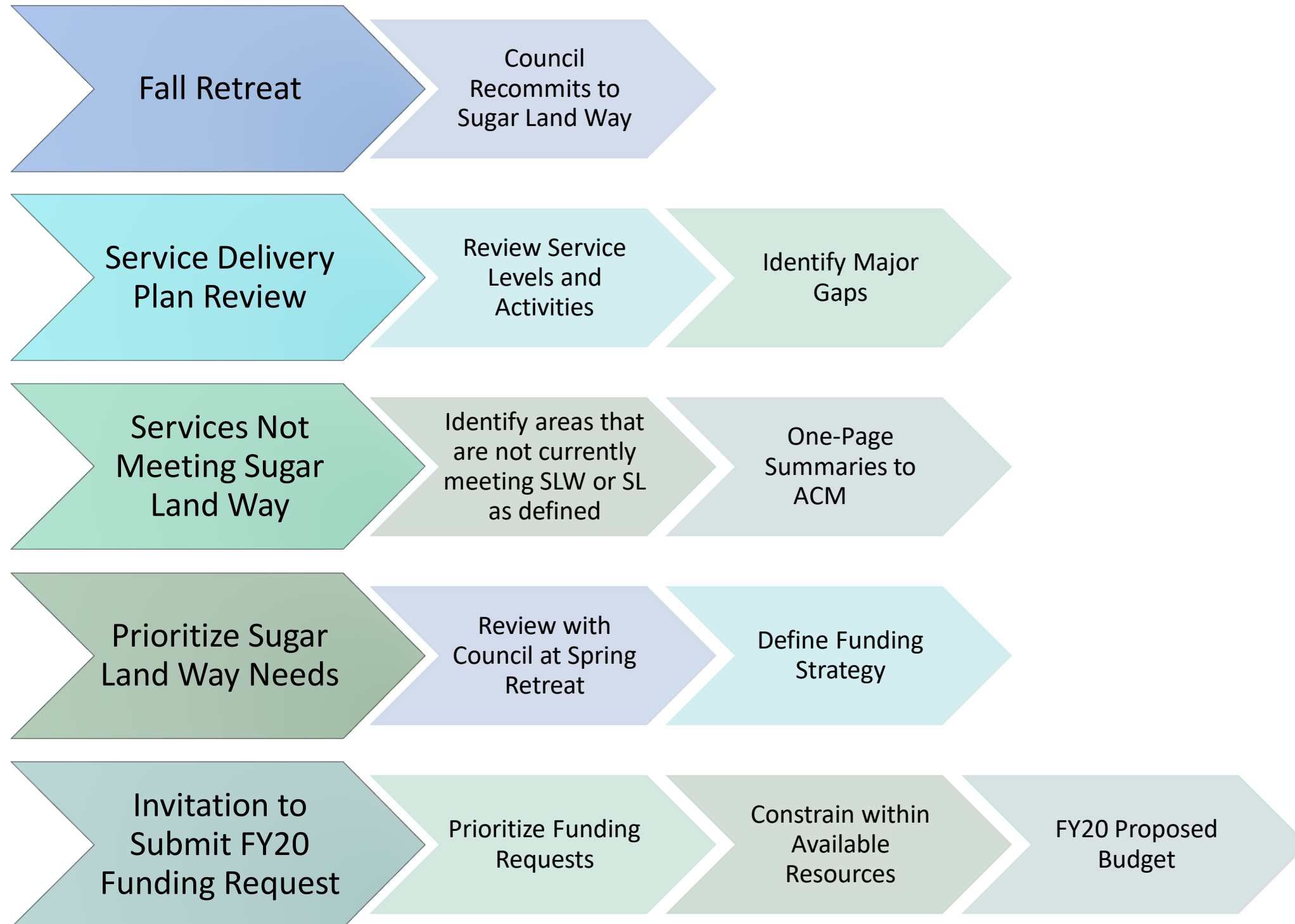


# **The Sugar Land Way**

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**ORGANIZATIONAL REVIEW PROCESS**

**DOUG BRINKLEY, ASSISTANT CITY MANAGER**



# Fall Retreat: Recommitment to the Sugar Land Way

- Ensuring Sugar Land remains safer than ever before by building upon years of investments in facilities and public safety innovations
- Maintaining aging infrastructure and facilities at the high level expected by Sugar Land residents
- Retaining and challenging a champion workforce that consistently exceeds the high expectations of the Sugar Land community
- Constantly improving the appearance of the community
- Building upon Sugar Land's position as an economic powerhouse and financial leader (as well as a focus on strengthened resilience) that allows the city to improve its quality of life and minimize the residential tax burden



# Service Delivery Plan Review

- FY20 budget process:
  - Identified service level gaps – not meeting SLW
  - Provide data to support findings
  - OPA, finance, and city management review
  - ACM's prioritized requests based on highest priority
  - Address with one-time funding where possible
  - Greater accountability & transparency
  - “Bottom-up” and priority based budgeting approach



# Prioritize Sugar Land Way Needs

- Identify themes across the organization
  - Infrastructure maintenance & rehabilitation
  - Transportation & mobility management
  - Restoration of contingency
  - Operational challenges to meet service levels
- Evaluate funding strategies and options
- Discuss with Council at spring retreat



# Service Delivery Plan Review

- Develop plan for achieving Sugar Land Way – FY20 & beyond
- Identify revenue necessary to be “whole” in FY20?
- Strategies for mitigating impact to residential tax bills
  - Homestead exemption increases / tax increase
  - Shift tax rate from debt to operations
  - Early engagement of City Council
  - Service & activity level gaps
- FY20 & five-year assumptions for revenue growth & property tax strategies



# Prioritize Requests within Funding Available

- Identified capacity within strategy discussed with City Council
- Ensure additions can be sustained throughout the forecast
- Build into proposed FY20 budget
- Review and update service delivery plans for FY20 to reflect impact to service levels





# Sugar Land Way Priorities in FY20 Budget

- Facility & Public Safety Investment
  - Public Safety Operational Needs
- Infrastructure Investment
  - Increase recurring rehabilitation funding, supplement with one-time
- Community Appearance
  - Landscape maintenance



# Future Year Budget Consideration

- Some priorities not ready to be addressed in FY20 budget
  - Ongoing discussion with future year budgetary impacts
  - Examples:
    - Fire/EMS
    - Public Safety Dispatch
    - 311



# **Sugar Land Way Priorities**

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## **GENERAL FUND ADDITIONS**

# Facilities & Public Safety Investment

Ensuring Sugar Land remains safer than ever before by building upon years of investments in facilities and public safety innovations

Department	Description	FTE	Recurring	One-Time
City Secretary	Open Records Responsiveness		\$ 4,100	
City Secretary	Council Chamber Technology		15,021	
Public Works	Operations Manager- Streets & Drainage	1.0	107,244	40,850
ENS	Fleet Services Administrative Support	1.0	54,189	5,592
ENS	Fleet Maintenance- Citywide		121,000	
ENS	Facility Maintenance- Sr. Facilities Tech	2.0	153,943	82,114
Police	Crime Prevention Camera System			85,000
Police	Additional Body Cameras		21,564	13,593
Police	Taser Replacement			76,250
Police	Increase Court Security- Bailiff	1.0	81,214	28,507



# Facilities & Public Safety Investment

Ensuring Sugar Land remains safer than ever before by building upon years of investments in facilities and public safety innovations

Department	Description	FTE	Recurring	One-Time
Police	Police Officer – Increased Traffic Safety	1.0	\$ 81,814	\$ 44,183
Police	Administrative Support Reallocation		50,143	
Police	Crime Scene Technician	1.0	71,983	14,657
Dispatch	Quality Assurance Supervisor	-0.5	71,441	
Fire/EMS	EMS Training, Honor Guard & ISO Training		14,700	50,000
Fire/EMS	Bunker Gear & Maintenance		37,000	330,000
Fire/EMS	Ambulance Power Stretcher			42,000
Fire/EMS	Fire Inspector for Code Enforcement	1.0	105,237	73,940
Non-Dept	Fleet Replacement Fund Contribution		66,000	
<b>TOTAL</b>		<b>7.5</b>	<b>\$1,056,593</b>	<b>\$886,686</b>



# Infrastructure Investment

Maintaining aging infrastructure and facilities at the high level expected by Sugar Land residents

Department	Description	Recurring	One-Time
Public Works	Bridge Rehabilitation	\$150,000	\$ -
Public Works	Flood Gauges Maintenance	40,000	
Public Works	Pavement Assessment & Programming	50,000	
Public Works	Sidewalk Rehabilitation	250,000	250,000
Public Works	Storm Sewer Pipe Assessment	211,000	
Public Works	Storm Sewer Rehabilitation	100,000	150,000
Public Works	Storm Sewer Annual Inspections	30,000	
Public Works	Sign Maintenance	50,000	50,000
Parks	Parks Rehabilitation	53,963	11,037
ENS	Facilities Rehabilitation	113,755	
TOTAL		\$ 1,048,718	\$ 461,037



# FY20 Infrastructure Rehabilitation Funding

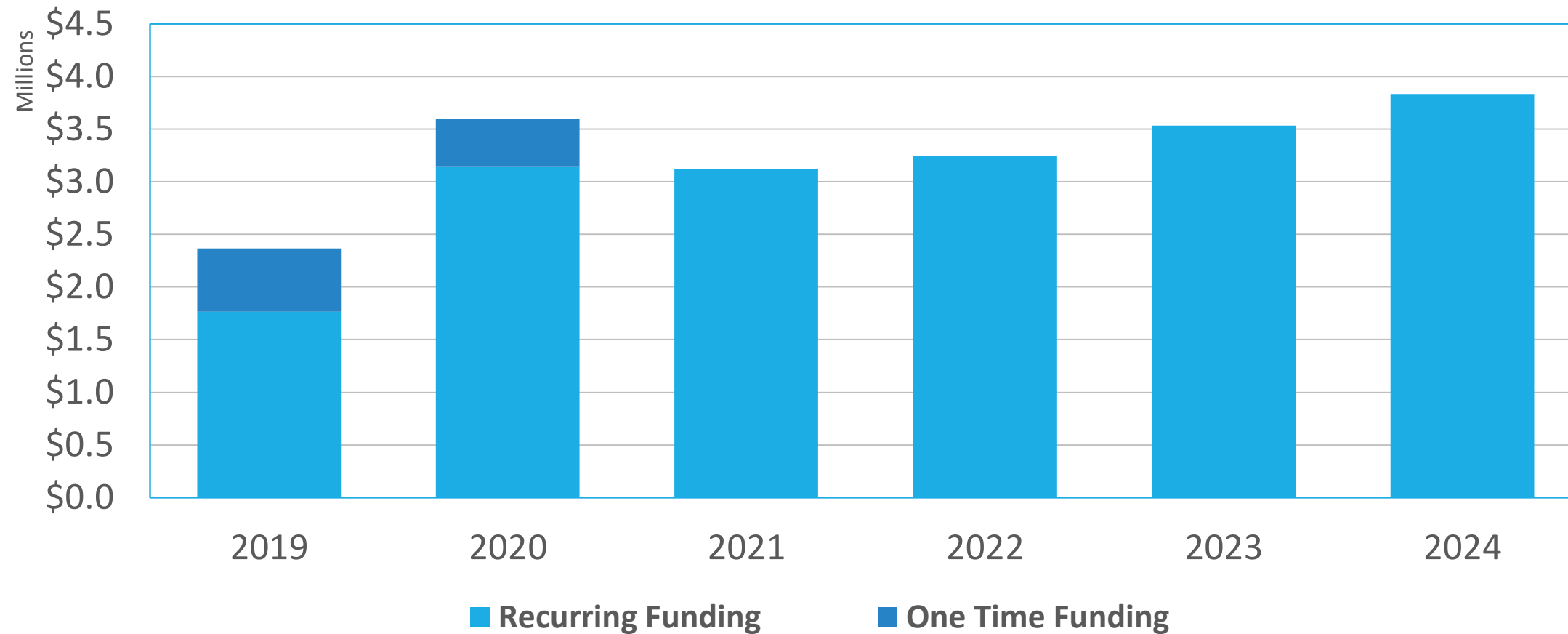
Total infrastructure rehabilitation funding for FY20

Type	FY20 with Base Increase	Recurring Increase	One Time Funding	Total FY20 Funding
Streets & Drainage	\$ 1,346,311	\$ 831,000	\$ 400,000	\$ 2,577,311
Right of Way	175,000	-	-	175,000
Traffic	143,000	50,000	50,000	243,000
Parks	135,000	53,963	11,037	200,000
Facilities	292,282	113,755	-	406,037
Total Rehabilitation Funding	\$ 2,091,593	\$ 1,048,718	\$ 461,037	\$ 3,601,348



# Infrastructure Rehabilitation Funding Plan

Rehab funding included in FY20-24 financial forecast





# Championship Workforce

**Retaining and challenging a champion workforce that consistently exceeds the high expectations of the Sugar Land community**

Department	Description	Recurring	One-Time
Human Resources	Public Safety Assessment Centers	\$20,000	\$ -
Human Resources	Public Safety Compensation Study		35,000
Non-Dept	Increase Benefits Reserve		151,239
TOTAL		\$20,000	\$186,239



# Economic Powerhouse/ Financial Leader

## Quality of Life / Strengthened Resilience

Building upon Sugar Land's position as an economic powerhouse and financial leader (as well as a focus on strengthened resilience) that allows the city to improve its quality of life and minimize the residential tax burden

Department	Description	FTE	Recurring	One-Time
Communications	Targeted Printed Materials		\$50,000	\$ -
Legal	Prosecutor Office at Court		-	18,665
Legal	Outside Legal Counsel		50,000	25,000
IT	Citywide Technology Connectivity Study		-	100,000
IT	Enhanced GIS Services – GIS Analyst	1.0	70,427	5,560
Finance	Comprehensive User Fee Study		-	175,000
Finance	Court of Record		-	10,000
Finance	Court Collections Improvement Program	1.0	53,590	20,015
Finance	Court Translation Services		-	5,500



# Economic Powerhouse/ Financial Leader

## Quality of Life / Strengthened Resilience

Building upon Sugar Land's position as an economic powerhouse and financial leader (as well as a focus on strengthened resilience) that allows the city to improve its quality of life and minimize the residential tax burden

Department	Description	FTE	Recurring	One-Time
Public Works	Traffic – ITS Manager	1.0	\$80,699	\$ 1,700
Parks	Special Events Strategy Management		-	50,000
Planning	Land Use Plan - Redevelopment		-	25,000
Planning	Comprehensive Mobility Plan		-	350,000
ENS	Animal Services – Emergency Vet Services		3,500	-
ENS	Animal Services –Field Supervisor	1.0	84,840	4,737
ENS	Stormwater Coordinator	1.0	81,632	38,392
ENS	Stormwater Management Plan		25,400	62,500
Non-Dept	Increase Centralized Contingency		-	225,013
<b>TOTAL</b>		<b>5.0</b>	<b>\$500,088</b>	<b>\$1,117,082</b>



# Community Appearance

Constantly improving the appearance of the community

Department	Description	FTE	Recurring	One-Time
Public Works	ROW Landscape Beautification/Insourcing	17.0	\$ -	\$320,000
Parks	Landscape Maintenance Contract		96,042	
Parks	Park Maintenance		13,737	
ENS	Increased Code Enforcement (Overtime)		5,000	
TOTAL		17.0	\$114,779	\$320,000



# **ROW Landscape Maintenance Insourcing**

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# ROW Landscape Maintenance Insourcing

- Public Works Manages 665+ Acres of ROW & Easements Via Contracted
  - Landscape Beautification & Tractor Mowing
- Significant & Ongoing Contracted Cost Increases Since FY16
- Concerns with Contractor Commitment and Performance to Standards
- Evaluated Insourcing as an Alternate to Current Service Delivery
- Using Current Budget + \$320,000 in One Time Funding
- Recommend Transition from Outsourced to Staff Providing Service
- Results in Recurring Savings in Year 2 and Beyond



# ROW Landscape Insourcing – New Positions

Position	Hire Date	FTE	Recurring
Field Supervisor	1/1/20	1.00	\$59,645
Irrigation Foreman	3/1/20	1.00	38,743
Crew Chief	2/1/20	4.00	129,003
GMW II	3/1/20	12.00	388,176
Contracts Services Monitor (Crew Chief)		-1.00	0
<b>TOTAL</b>		<b>17.00</b>	<b>\$615,567</b>



# FY20 – ROW Insourcing Proposal

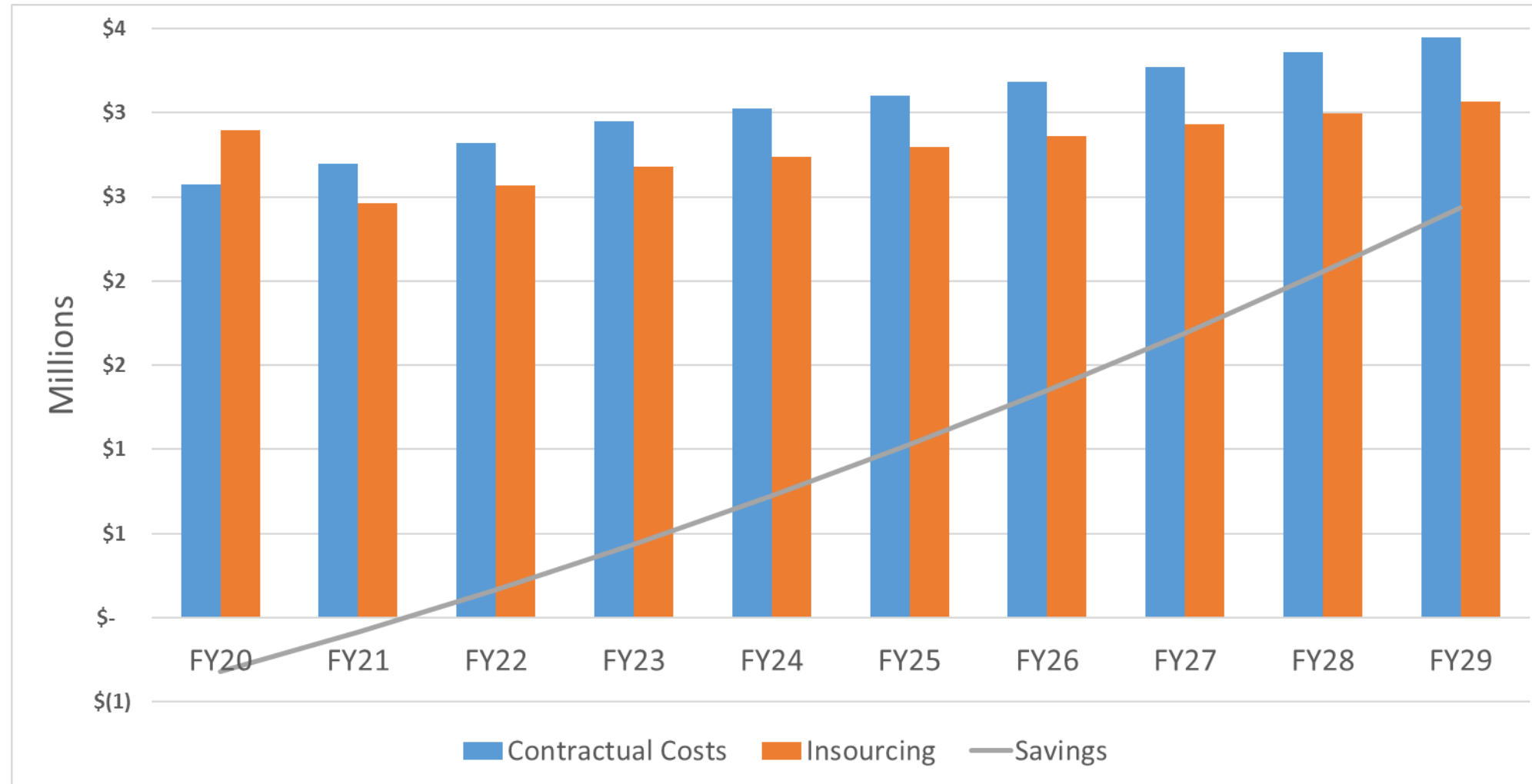
Budget	Without Insourcing	Proposed Changes	With Insourcing
Salary & Benefits	\$ 195,751	\$ 636,745	\$ 832,496
Operating Costs	164,715	70,104	234,819
Contracted Services	2,041,144	(894,234)	1,146,910
Rehabilitation Funding	175,000	-	175,000
Capital Outlay	-	420,833	420,833
Contribution to Replacement Funds	-	86,552	86,552
<b>TOTAL</b>	<b>\$2,576,610</b>	<b>\$ 320,000*</b>	<b>\$2,896,610</b>

\* One Time Funding in FY20





# Insourcing – Cost Savings



# FY20 General Fund Summary

Description	In Millions (\$)
Beginning Fund Balance	\$ 27.80
FY20 Revenues	94.39
FY20 Expenditures	99.83
Net Change	-5.44
Ending Fund Balance	\$ 22.36
Fund Balance Policy Requirement (25%)	\$ 21.63
Ending Balance Over Policy Requirement	0.73



# Five Year Forecast

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## GENERAL FUND

# General Fund Forecast

- With FY20 shift in property tax revenue to fund Sugar Land Way, assumes 3.5% annual revenue growth within limits set by state legislature
- Maintain dependence on sales tax for operations within FMPS max of 45%
- Assumes growth in user fee revenue as a result of fee study
- Maintains service levels proposed in FY20
- Personnel costs grow consistent with Compensation Philosophy
- Recurring savings from landscape insourcing beginning in year 2
- Forecast is sustainable long term



# General Fund Five Year Forecast Summary

Millions (\$)	FY20	FY21	FY22	FY23	FY24
Revenues	\$ 94.39	\$ 98.78	\$ 102.25	\$ 105.64	\$ 109.11
Expenditures	99.83	99.23	101.74	104.48	107.28
Net Income	-5.44	-0.45	0.51	1.16	1.83
Ending FB %	26%	25%	25%	25%	27%
Over Policy	\$0.73	-\$0.31	-\$0.34	\$0.26	\$1.52



# Questions on General Fund

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# **Compensation & Benefits**

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**PAULA KUTCHKA**

**DIRECTOR OF HUMAN RESOURCES**

# Compensation Guiding Principles

- As adopted by Council, May 2013
- Recognize the value of our employees
- Pay on a competitive basis
- Fair and equitable compensation systems
- Recognize performance with merit pay
- Provide competitive benefits programs
- Evaluate total compensation by applying “benefits burden” test





# Compensation & Benefits

- Salary Structures
- Pay For Performance (Merit Pool)
- Texas Municipal Retirement System
- Group Health Benefits
- Benefits Burden



# Public Safety Salary Structures

- Police & Fire
- City's compensation philosophy states starting salaries for Police / Fire should be 75th percentile of the benchmark cities
  - 3.2% increase to the starting salary for Police; and
  - 2.7% increase to the starting salary for Fire
- Salary structures will move accordingly
- No “across-the-board” adjustments to salaries
- Only salaries falling below the minimum of new range adjusted
- Effective January 1

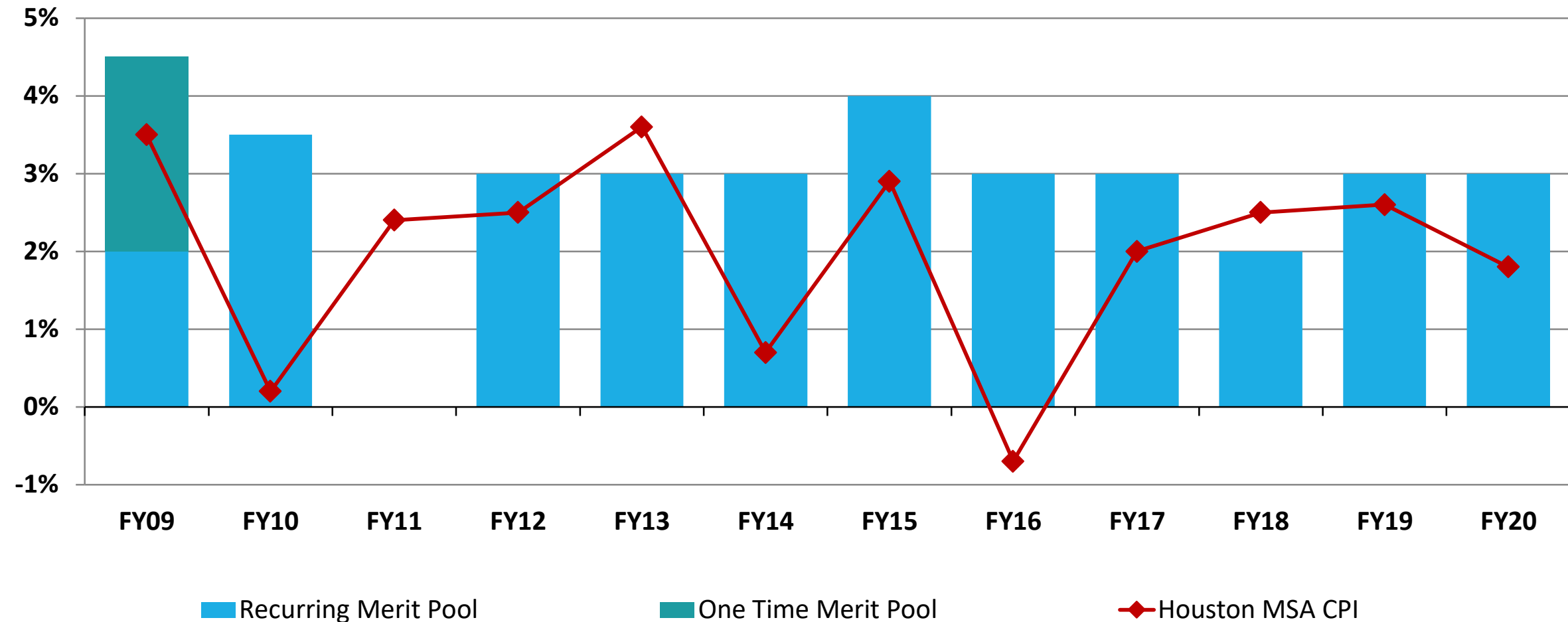


# Non-Public Safety Salary Structures

- Non-Exempt, Exempt & Management/Elected Officials
- General salary structures are moved annually based on CPI
- CPI for April 2019 was 1.8%
- Salary structures will move accordingly
- No “across-the-board” adjustments to salaries
- Only salaries falling below the minimum of new range adjusted
- Effective January 1



# Historical Merit Pool



# Texas Municipal Retirement System (TMRS)

- Contribution Rate for 2020: 14.76% (↓ from 14.93%)
- 2018 Funded Ratio: 88.5% (↑ from 87.3%)
- Opted out of Social Security System for all pension-eligible employees in 1980
- Other than TMRS, the only retirement savings option available by pre-tax deduction is participation in the 457 Deferred Compensation program (no matching contribution from the City)



# Group Benefits

## City Provided

- Medical\*
  - KelseyCare HMO
  - High-Deductible Health Plan w/HSA
- Dental\*
  - DHMO & DPPO
- Flexible Spending Account (FSA) Administration
- Employee Assistance Program (EAP)
- Basic Life & Accidental Death/ Dismemberment (AD&D)
- Long-Term Disability (LTD)
- CariLoop (Caregiver Assistance)

## Optional Benefits\*\*

- Vision
- Cancer Indemnity
- Accident Indemnity
- Short-Term Disability
- Supplemental and Dependent Life & AD&D
- Legal Shield
- Flexible Spending Accounts

*\*Employees contribute towards coverage*

*\*\*Employees pay full premium for coverage*



# Group Benefits

## Medical:

- City will remain self-funded for medical claims
- Year 4 of a 5 year contract with Cigna - TPA services for medical plan
- Anticipating increases in Medical, Pharmacy & Stop Loss

## Dental & Voluntary Vision:

- End of a 2 year rate guarantee with Cigna Healthcare
- Cigna has confirmed that we will be a 10% increase on the Dental PPO and a 0% increase on the Dental HMO. The plan is currently running at a 90% loss ratio. (80% carrier target loss ratio)
- Voluntary vision plan costs will receive a 4.5% increase to rates. The plan is currently running at a 92% loss ratio. (80% carrier target loss ratio)



# Group Benefits, Cont.

## Life & Disability:

- Rates will enter into year 2 of a 3 year guarantee period with Dearborn National. No changes to premium rates or plan designs.

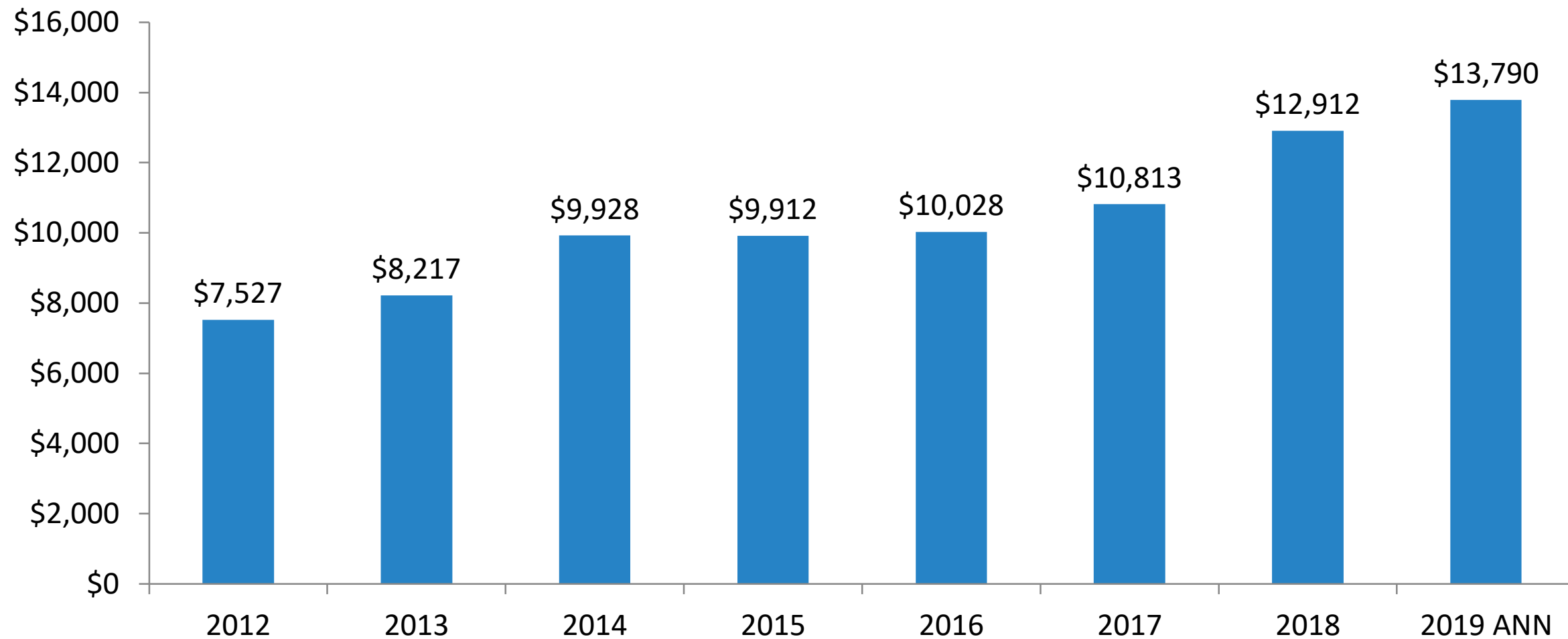
## Stop Loss:

- Contract will come to Council in November for Plan Year 2020; however, with our experience thus far, we are anticipating change in this area.





# Benefit Trends – Total Per Capita Claims



# Benefit Trends – Total Per Capita Claims

Plan Year	Total Claims	%Δ	5 Year Average	5 Year National Average
2012	\$7,527	n/a		
2013	\$8,217	9.2%		
2014	\$9,928	20.8%	9.8% Trend Average	8.0% Trend Average
2015	\$9,912	-0.2%		
2016	\$10,028	1.2%		
2017	\$10,813	7.8%		
2018	\$12,912	19.4%		
2019	\$13,790	6.8%		

Note: 2019 ANN = 1/1/19 to 6/30/19

National Average = Segal Health Care Cost Survey – Combined Medical and Pharmacy Trends



## Self-Funded vs. Fully Insured

Savings Compared to F.I.	
2012	\$915,760
2013	\$900,191
2014	\$150,954
2015	\$311,474
2016	\$270,352
2017	\$312,399
2018	-\$402,934
2019 YTD	\$440,284

- Savings estimates projected based on an annual Fully Insured Premium amount
- 2019 YTD utilizes a monthly premium amount accrued over the last 6 months, then compared to the last 6 months of cost.



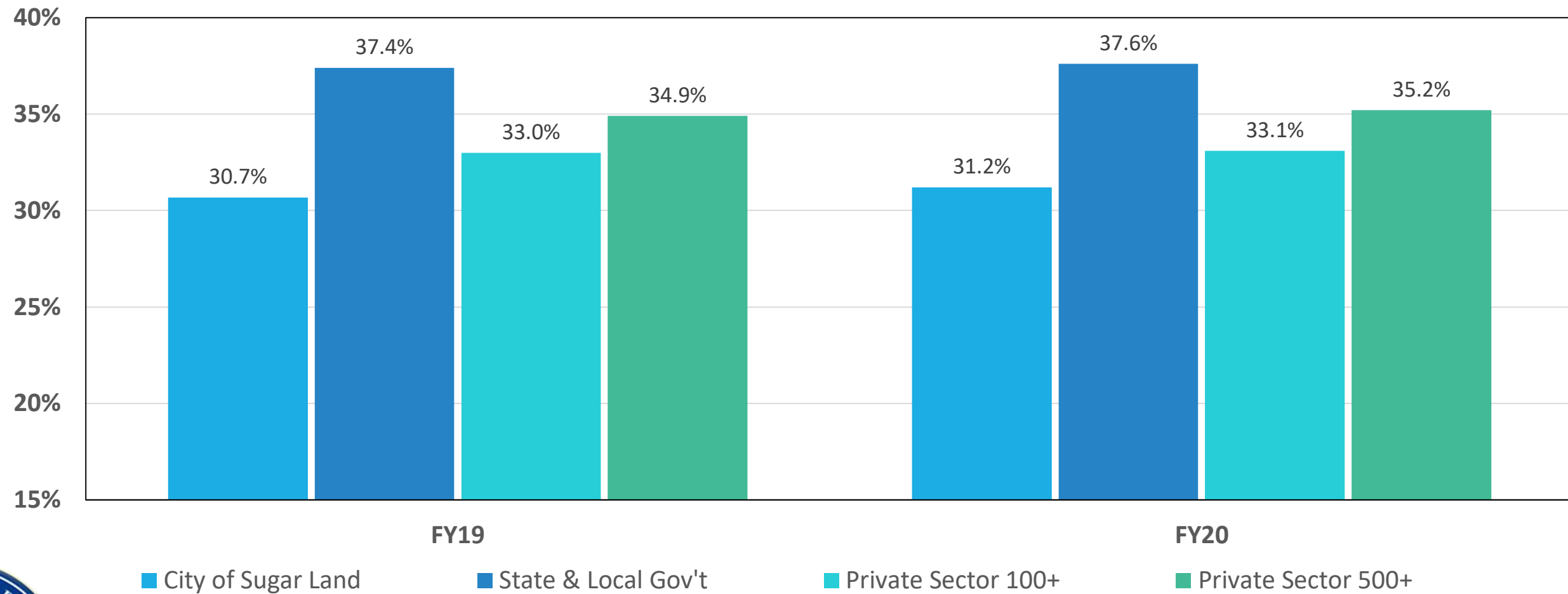
# Employee Benefits

- 7% increase to Benefits Fund to accommodate anticipated claims costs
  - City Contribution Increase 7%
  - Employee Cost Increase TBD
- Anticipate contributions and plan design changes
  - Working with Employee Benefits Committee now



# Benefits Burden

Benefits as a Percent of Total Compensation



# Questions on Compensation & Benefits

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# Budget Workshop Schedule

Date	Topic
August 8	Property Tax & Debt Service Fund Record Vote on Proposed Tax Rate
August 15	Enterprise Funds
August 22	<i>IF NEEDED</i> Compensation & Benefits Other Funds



# Clarifying Questions for Staff

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